

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

IN THE MATTER OF THE AUDITS OF ALL)	<u>ENERGY</u>
THE ELECTRIC AND GAS UTILITIES' DSM)	
REVENUES AND EXPENDITURES PURSUANT)	ORDER
TO THE COMPREHENSIVE RESOUCE)	INITIATING AUDIT
ANALYSIS OF THE ENERGY PROGRAMS)	

BPU Dkt No. EA01090540

(SERVICE LIST ATTACHED)

BY THE BOARD:

Pursuant to N.J.S.A. 48:2-16.1 and 2, the Board may order audits to be performed on all or any portion of the operating procedures and any other internal workings of every utility subject to its jurisdiction. Such audits may provide for the examination and audit of all books, accounts, papers, records and memoranda of a public utility.

By Order dated March 9, 2001 ("Final CRA Order"), in Docket Nos. EX9905034 et al., the Board decided the Comprehensive Resource Analysis ("CRA") pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999, N.J.S.A. 48:3-49 et seq. In the Final CRA Order, the Board determined that it would hire a consultant to evaluate the utilities' administrative costs of the energy programs. The consultant's evaluation would assist the Board in determining whether the utilities should continue to administer the energy programs, or if an independent statewide administrator is necessary.

On April 6, 2001, the Division of the Ratepayer Advocate ("RPA") filed a motion for reconsideration and clarification of the Final CRA Order. In that motion, RPA requested a focused audit of the utilities' expenditures on administration of the demand side management ("DSM") programs from their initiation in 1991 until rates were unbundled and societal benefits charges ("SBC") were established. The RPA argued that the audit was necessary because of the size of past DSM expenditures. In addition, RPA urged the Board to order an audit of the expenditures by the utilities incurred between August 1, 1999, when rates were unbundled into various charges including SBC, and March 9, 2001, the date of implementation of the Final CRA Order. The basis for the argument was to ensure that all DSM monies, both expenditures and

revenues, were properly accounted for and were available for energy efficiency and renewable energy programs.

On July 13, 2001, the Board issued its decision regarding the RPA's motion for reconsideration and clarification. In its findings, the Board ordered a financial audit of past DSM administration expenditures as well as a financial audit of the expenditures and revenues of the utilities between the unbundling of the SBC and the implementation of the Final CRA Order. By this Order, the Board is authorizing its Division of Audits staff to conduct these audits.

The audits should provide the following information:

1. Phase 1 shall consist of the review of the DSM expenditures and corresponding revenues of all the applicable utilities, in the time interval between the unbundling of the SBC and the implementation of CRA. This audit shall include findings and recommendations addressing whether revenues and expenditures are properly accounted for, are available for Energy Efficiency and Renewable Energy Programs, and are reasonable.
2. Phase 2 shall consist of the review of past DSM administrative costs and expenditures from August 1, 1996 to July 31, 1999. This four-year review should provide an adequate basis for consideration of past DSM costs and expenditures. However, if necessary, the auditor shall return to the point of the original initiation of DSM programs for a more accurate representation. This audit shall include findings and recommendations on the reasonableness of the administrative costs and expenditures, and shall assist the Board in making its decision regarding establishment of an independent statewide administrator.

Generally, the recommendations received by the Division of Audits will assist the Board in determining whether all DSM monies are accounted for and available for energy efficiency and renewable energy programs. The findings will also provide information to the consultant being selected by the Board in Docket No. EX01070447 for assistance in determining whether or not the establishment of an independent statewide administrator is necessary for the effective operation of the energy efficiency and renewable energy programs currently being managed by the utilities. All information sought by the Audits Staff shall be considered confidential until such time as the Board makes a determination to accept, reject or modify the audit. The utilities will be offered an opportunity, if necessary, to make a motion to the Board to redact the audit. The findings of this audit shall, however, be reviewed with the Board's consultant on the ongoing management audit of CRA.

This Order is issued subject to the following provisions:

1. Upon acceptance by the Board, the results of the audit shall be considered filed and open to public inspection;
2. Upon completion and review of the audit, if the person performing or supervising the audit determines that any of the administrative costs of the programs are too high, the Board may order the utilities to adopt new or altered practices;

3. This Order shall not interfere or conflict with any powers of the Board or its staff to conduct an audit investigation or review of the books, records and accounts of the utilities.

DATED: September 27, 2001

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)
CONNIE O. HUGHES
PRESIDENT

(SIGNED)
FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)
CAROL J. MURPHY
COMMISSIONER

ATTEST:

(SIGNED)
FRANCES L. SMITH
BOARD SECRETARY